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WASHINGTON, D.C. 20505

Senior Review Panel

26 March 1984

MEMORANDUM FOR: Herbert E. Meyer, VC/NIC

SUBJECT: Estimative Work on Economic Development

I refer to our recent conversation regarding possible intelligence estimative work on the economic development of individual developing countries. As I indicated I would do, I discussed the question with my wife who, as a Foreign Service Officer, spent several years as an economic analyst in INR. She was later closely associated with Daniel Parker (who had been AID Administrator under President Ford) during his service as Chairman of the Development Policy Board of the International Chamber of Commerce. We came to the following conclusions:

Obviously a great deal of estimative work has been done by AID, the World Bank, the IMF, the UNDP, and countless other government and private development agencies in analyzing the development strengths and weaknesses of individual countries and in establishing criteria for doing so.

It would probably be useful for the Intelligence Community to make its own assessments specifically focused on development, inasmuch as the internal stability of individual developing countries and their ability to withstand external political and economic pressures are closely linked with economic viability, and inasmuch as we are in any event constantly engaged in estimates of Third World regimes. It is obvious to most Americans that our national interests would be well served by a prosperous developing world.

Progress toward development depends not only on economic factors but also on socio-cultural and political factors. Some countries or societies seem to be born with the right development genes , whereas others seem to have to contend with all sorts of fundamental handicaps. 25X6

It is true that private enterprise can be an engine of development and should be encouraged. On the other hand,

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countries in which there is widespread poverty and illiteracy and which have had little recent experience of a stable society will probably benefit from intelligent state planning and control. Thus, in the LDC community we see a wide spectrum of hybrid models, ranging from largely free-enterprise systems to those of tight state control. The fact that some systems work better than others does not necessarily mean that they are readily transferable from one country to another. It does suggest, however, that the reasons for success or failure of the systems need examining.

One way to try to determine the reasons for success or failure, and to evaluate development potential in individual countries, might be to develop a check list of factors critical to development. Some factors should be weighted more heavily than others. No country would have a perfect score, and some would end up in the basket case category. But identification of such factors, attaching weights to them, and scoring countries accordingly could alert policymakers to hopeful versus hopeless situations, to opportunities for timely inputs of assistance, or to the need for emergency measures to thwart impending disaster.

For example a checklist of requisite or determining factors might look like this:

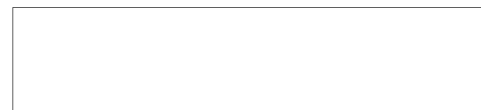
1. per capita national income (this is the UN's basis for distinguishing between LDCs and those referred to as the Least Developed Countries).
2. average rainfall and other significant climatic conditions.
3. geographic location (isolation, landlocked situation, mountainous terrain, etc.)
4. literacy among males and females.
5. population density and family planning.
6. health and hygienic conditions.
7. natural resources -- water for agriculture and hydro, timber, minerals, oil, etc.
8. infrastructure -- roads, railways, harbors, electricity, irrigation (rural infrastructure is particularly important).
9. competent administrators and bureaucracy -- not too venal.
10. availability of basic statistics.

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11. institutional, technical and infrastructural support of rural economy, including small-scale private enterprise (most LDC entrepreneurs are farmers, and most LDC government policies are anti-rural).
12. balanced urban growth, with appropriate urban transport and other infrastructure and services.
13. status of private enterprise; its degree of sophistication; existence of local chambers of commerce and of business-government dialogue.
14. treatment of foreign investment.
15. adequacy of financial institutions.
16. access to external funds; extent of external indebtedness.
17. export opportunities.
18. adequacy of educational and training institutions, including those for managerial positions.
19. influence of indigenous religious communities and direction of their influence.
20. political-economic relations with neighboring countries.
21. historical stability of government and societal institutions.

A checklist such as this, although probably too long and somewhat duplicative, would require considerable refinement through trial-and-error application and could in itself provide a useful project for intelligence analysts.

Another study which might prove relevant would be to examine the colonial and post-colonial histories and heritages of ex-colonies to try to determine why some have proved more stable and viable than others.



Member
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